

2011-12 – 1st QUARTER STATUS REPORT – Sr. Investment Officer, Asset Allocation & Risk Mgmt. (F. Majeed)

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Quantitative Performance Measures

Total Fund Performance

Weight	Performance Measure	Incentive Schedule	1 st Quarter Status
40%	Return deviation in basis points relative to: Total Fund performance versus Total Fund benchmark {SJ1CA1 – CPERSTO2IC} *Cost-adjusted Benchmark	-13 basis points = 0 +13 basis points = 1.0 27 basis points = 1.5	+16 bps {(7.00) – (7.16)}

Active Asset Allocation Performance

Weight	Performance Measure	Incentive Schedule	1 st Quarter Status
20%	Active asset allocation return above 0 as calculated by Wilshire {(Program Policy Allocation – Program Actual Allocation)*(Program Policy Return – Total Return/100} Subject to restriction of performance measurement limited to public asset classes only.	-13 basis points = 0 +7 basis points = 1.0 17 basis points = 1.5	+0 bps

Qualitative Performance Measures *(All performance measures utilize standard Qualitative incentive schedule unless otherwise noted)*

Leadership

Weight	Performance Measure
10%	<p><u>Enterprise-wide Leadership and Management</u> By June 30, 2012, achieve improvements in enterprise management by:</p> <ul style="list-style-type: none"> • Maintaining an average position vacancy rate of 5% or less through the fiscal year 2011-12. • Ensure all Form 700 Statements of Economic Interest are filed by scheduled employees by the mandated due date of April 1, 2012. • Ensure all scheduled employees complete the legally mandated AB 1234 ethics training by June 30, 2012. • Maintain a 90% EPAD completion rate. • Address and resolve all outstanding audit findings within 12 months of audit report. • Dedicate 2 hours per month for Employee Recognition during the year through fiscal year 2011-12. • Ensure 100 percent compliance using the new diversity and inclusion performance factor in annual manager and supervisor performance reviews. • Complete the Executive D&I Development Journey course, including completion of all pre- and post-session work assignments. • Conduct at least two direct report team sessions on diversity and inclusion awareness. • Effectively manage all Operational resources within prescribed budget limits. • Conduct direct report sessions on renewal of our core values and guiding behaviors to ensure that we are adhering to these convictions at least once a quarter <p><u>Investment Office Leadership and Management</u> By June 30, 2012, contribute to the value creation, capacity building, and organization support for the Investment Office by:</p> <ul style="list-style-type: none"> • Strengthening and reinforcing a value driven culture that fosters accountability, transparency, and integrity. • Participating in training, communication, and recognition activities and events. <p><u>Team Participation – Cross Asset Class Collaboration</u> By June 30, 2012, participate in and support cross asset class initiatives, such as the Investment Office Roadmap, Investment Strategy Group, Investment Proposal Tracking System, Operating Committee, and technology steering committees to improve investment performance, cost effectiveness, and manage risk.</p>
1st Quarter Status: <ul style="list-style-type: none"> • Conducted and participated in ISG meetings. • Participated in SIO Retreat, September 21-22, 2011 and led discussion on investment performance. • Attended Leadership Training. • Initiated recruitment of Asset Allocation Portfolio Manager and Risk Management Senior Portfolio Manager. 	

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Risk Management

Weight	Performance Measure
12.5%	<p><u>Risk Management</u></p> <p>By June 30, 2012, establish a comprehensive risk management system and practices to measure, manage, and communicate investment risks to enhance risk adjusted returns of the fund. Including the following:</p> <ul style="list-style-type: none"> • Conduct quarterly risk review with each asset class/program. • By December 2011 implement new investment risk management system. • By June 2012 implement Risk Budgeting framework at the total fund and asset class levels. • By June 2012 define and implement processes for using information from the new risk system to enhance decision making at the fund level.
<p>1st Quarter Status:</p> <p>BarraOne risk system implementation is proceeding on schedule.</p>	

Capital Allocation

Weight	Performance Measure
12.5%	<p><u>Capital Allocation</u></p> <p>By June 30, 2012, lead the implementation of a risk based allocation in a dynamic/scenario based approach. Including the following:</p> <ul style="list-style-type: none"> • Complete a factor-based investing research project and then develop implementation plan based on research results. • By June 2012 implement new risk based asset allocation framework reports for ISG and the Board. • Develop a process for selection of strategic partners to manage multi-asset portfolios, including completion of project rationale, strategy and process definition subject to CIO direction. • Standardize annual capital allocation models for the private asset classes. • Obtain Investment Committee approval for new asset allocations for: <ul style="list-style-type: none"> ○ Long-term Care fund; ○ Three new California Employers' Retiree Benefit Trust funds; ○ Judges' Retirement System fund; and, ○ Legislatures' Retirement System fund.
<p>1st Quarter Status:</p> <ul style="list-style-type: none"> • Research project on risk factors was completed. Implementation may be rolled into the multi-asset class (MAC) Partners, which is under way. • Capital Allocation models for private asset classes have been reviewed at ISG. Annual plans from AIM and RE are to be presented to ISG for approval. 	

Investment Strategy Group

Weight	Performance Measure
5%	<p><u>Investment Strategy Group</u></p> <ul style="list-style-type: none"> • By June 30, 2012, provide leadership in implementation, governance, best practice and decision making impacting overall Investment Office performance. • Coordinate ISG agenda, discussions and decisions to achieve above.
<p>1st Quarter Status:</p> <ul style="list-style-type: none"> • Coordinated six ISG meetings in Q1. 	